

PD-ABN-145

91267

**USAID Project Evaluation System**  
***Value Management/Value Engineering Study***

March 1995

USAID Value Management/Value Engineering Study  
is sponsored by the Bureau for Management of  
the U.S. Agency for International Development  
Washington, DC 20523

## CONTENTS

---

EXECUTIVE SUMMARY .....	iii
1. STUDY FINDINGS .....	1
Overview .....	1
Expenditures .....	2
Purpose and Impact of Evaluations .....	2
2. RECOMMENDATIONS .....	5
Evaluation Alternatives .....	5
Buying into Findings .....	5
New Valuative Actions .....	6
Mid-Term Reviews .....	6
Final Reviews .....	7
3. CONCLUSION .....	9
Appendix A: Team Members .....	11

## EXECUTIVE SUMMARY

---

Replacing mid-term project reviews with in-depth assessments by project officers and conducting final project reviews on a selective (good, bad, and unusual) basis can reduce U.S. Agency for International Development (USAID) project evaluation costs by more than 60 percent while simultaneously improving quality and useability of findings. This is the main conclusion of the USAID Value Management/Value Engineering (VM/VE) team that performed a test case on project evaluation to determine how applying VM/VE principles can improve management and reduce costs. The VM/VE team, made up of five direct-hire USAID employees led by a contractor Certified Value Engineering Specialist (CVS), identified four specific actions that can effectively carry out the team's recommendations:

- The Policy Planning Committee (PPC) incorporate the following into the Program Management and Evaluation (PM&E) directives:
  - Re-design the mid-term evaluation process to focus on efficiency; internalize effort utilizing the partnership team; and emphasize formative, informative, and informal communications.
  - Re-design the final review process to evaluate project results package, review only selected groupings of activities, and disseminate findings on electronic bulletin boards and at bi-annual seminars.
- USAID initiate VM/VE training.
- PPC include the Office of Management and Budget (OMB) and Inspector General (IG) into re-engineering and VM/VE efforts.
- USAID obtain OMB approval to fund U.S. Direct Hire (USDH) employee evaluation participation using project funding.

## STUDY FINDINGS

---

### Overview

In November 1993, the U.S. Agency for International Development (USAID) Bureau for Management decided to fund a test program to determine whether Value Engineering/Value Management (VM/VE) training could effectively be used to cut costs and improve the agency's organizational and analytical management. VM/VE is an organized team study used to identify ways to remove unnecessary costs while ensuring that quality, reliability, and performance meet or exceed the required expectations. Through VM/VE, functions (i.e, purposes, uses, etc.) are studied to generate alternatives that will satisfy the user's needs at the lowest life-cycle cost.

A small team of six direct-hire USAID employees was identified to work with a contractor Certified Value Engineering Specialist (CVS) to perform a VM/VE test case on USAID's project evaluation process. The VM/VE team began its work by answering five basic questions relating to the agency's evaluation efforts:

- What is the objective of project evaluation?
- What do current efforts cost?
- Are there alternative methods to achieve the same product with no reduction in quality?
- What would alternative methods cost?
- What methods would produce the best value in terms of cost and output?

USAID currently views the evaluation process as producing three major outputs:

- A system to monitor performance during implementation
- A system to weigh the benefits or effects of its interventions
- A mechanism for developing "lessons learned" that can be used in altering current efforts or affect future project design elsewhere in the agency

## **Expenditures**

In looking at current evaluation expenditures, the VM/VE team determined that actual project evaluation expenditures fall far short of budgeted resources. Many evaluations, although funded, never occur. Currently, mid-term evaluations, if budgeted, are carried out in about 70 percent of the cases, but final reviews are completed for only about 30 percent of the planned schedule. As a result, of the nearly \$20 million budgeted for evaluations each fiscal year, not quite half is actually expended on planned reviews. The mid-term reviews cost about \$70,000 per review, and the final reviews are about \$50,000 per review. Based on this information, the VM/VE team determined that since neither the account for mid-term nor final reviews is expended annually, USAID has more than adequate resources to fund evaluations.

## **Purpose and Impact of Evaluations**

The team also examined the relationship between the purpose of evaluations stated in the evaluation section of the USAID Handbook and the actual impact of field reviews on either mid-term implementation corrections or "lessons learned" for future designs. Review of evaluations completed with mission staff showed that they have been useful in opening dialogue with host governments or with the initiation or acceleration of retarded implementation. Re-design, re-direction, or a re-programming of funds, however, were never identified as resulting from the review. The VM/VE team found that, in nearly every case, the USAID procurement system made mid-course correction nearly impossible. The length of the initial procurement process, from one to two years, made a change in deliverables improbable since management was reluctant to sustain an additional delay in implementation. Further, with the mid-term review commencing two years into a four-year project, barely enough time had passed for project-funded service delivery mechanisms to become operable, making it difficult to develop a clear rationale for change based on to-date accomplishments. The team concluded that since no-cost extensions double the implementation period of nearly all initially designed four-year projects, the mid-term reviews, although useful as noted above, did not serve the objectives outlined in the project evaluation guidelines.

Final reviews had equal difficulty in addressing the intentions of evaluation planners. First, the process itself is much more supply than demand driven, resulting in field missions not always providing a nurturing atmosphere for critical studies. In short, they are ready to move forward with other activities rather than devote resources to lengthy retrospective analysis. Second, since many of the leadership positions within the agency are filled with managers with strong

process skills (as opposed to technical skills), critical technical reviews emphasizing an experimentation with different technical approaches are viewed less as an intellectual process and more as an administrative rebuke. Third, the agency has traditionally placed a stronger emphasis on planning and obligation rather than technical development and implementation. The result is that currently no strong or vocal audience examines ways to improve implementation efforts for major activities. As an agency, USAID wants quick turn around and quantifiable results. These objectives do not lend themselves to critical examinations of sustainable developmental efforts. Finally, from an organizational perspective, the agency would view the rapid increase in quantifiable events (e.g. immunizations, contraceptives distributed, microenterprise loans made, etc.) as a positive development regardless of the level of donor leadership and financing necessary to produce the result. From a developmental perspective, however, such rapid increases sustained solely with donor inputs might be more indicative of developmental failure as sustainable levels of efforts rarely are maintained when developmental assistance is reduced or withdrawn and recipient countries are left to continue on their own.

In summary, there is a disconnect between the intended use of evaluation results and the actual utilization. USAID's current efforts are more ritualistic than edifying because the agency has not formed a consensus on their importance. If USAID wants to maximize utilization of evaluations, it first should re-define how evaluation results will be utilized and then support administrative and implementation procedures that will complement the new emphasis.

## **RECOMMENDATIONS**

---

### **Evaluation Alternatives**

Based on the team's research and staff interviews, it appears that the current USAID evaluation system is more effective in addressing short-term objectives and correcting implementation actions than in long-term "lessons learned" information (i.e., providing guidance for changing the way the agency does business). Although more effective than the impact of final reviews, the contribution of mid-term "corrections" is seen as minimal by field staff and project managers. Many managers stated that they know what needs to be done to improve implementation efforts, and they currently utilize the evaluation exercise more as a triggering mechanism rather than an informative process. Furthermore, since mid-term evaluation scheduling exceeds the actual studies carried out, the use of mid-term reviews as the primary tool for implementation improvements, even if constructively critical, has not proven to be fully effective.

The end-of-project reviews are somewhat more problematic. First, they are not consistently carried out in spite of budget allocations. Second, they do not serve as critical reviews of either success or failure. Based on the team's review of USAID evaluation activities, it suggests two major changes in current practices:

- Re-design the mid-term review process to encompass all activities on a regularized mission-managed basis
- Re-design the final project and sector review process to build on positive pro-active findings rather than what is currently perceived as a somewhat negatively oriented process

### **Buying into Findings**

One of the primary reasons that the current evaluation system is not fully effective is that it does not have a broad agency constituency. The evaluation office in the Center for Development Information and Evaluation (CDIE) is not included in the mainstream of agency thinking, nor unfortunately, are its findings the building blocks for reaching agency consensus. Evaluations are viewed as something to be endured, with the primary motivation in field missions being to "manage" the process and exert "fire control" measures as needed.

Obviously, if a real "lessons learned" system is to be effective, it has to enjoy broad support—both within the agency and throughout the developmental

community. In VM/VE, the process dictates that the three major players in an action participate: the owner of the problem, the owner of the solution, and those directly affected by the new course of action. In USAID terms, this would mean the host-country government or private sector entity, the USAID staff and their technical colleagues, and the recipients of the service. Thus, the first step in redesigning the current evaluation system or establishing a new assessment system will be fully engaging the three principal players in the process, and then marketing the system so that agency investments in self-examination will be acted upon. Given the long history of evaluations in the agency, however, it will be difficult to change the perception and acceptance of the current system.

### **New Valuative Actions**

The review team is proposing that the current agency evaluation system be altered to focus on a different set of valuative criteria and that the locus for activity management be moved from USAID/Washington to the field. A central evaluation office would continue to assist in the distribution of reports and the dissemination of information, but the responsibility for timing and content of the reviews would move to the field missions. The central office would also serve as the audit staff for the process and would coordinate with the Office of Training to ensure that field staff skills were developed in VM/VE techniques.

### **Mid-Term Reviews**

In re-thinking the purpose of mid-term evaluations, the team recommends that the purposes of the review be more specifically directed to a careful analysis regarding the efficiency of the project under review. In other words, the team suggests that the review include VM/VE objectives rather than broad prognoses of impact. Given reductions in funding throughout the agency's budget, this tactic would allow USAID to maximize resources while addressing host country sustainability (i.e. affordability) issues. In addition, with the project and budget already approved and active, a focus on value could be conducted without jeopardizing the continuation of the effort or a loss of funding.

The review team believes the most immediate consideration in mid-term reviews should be efficiency. At the mid-term review, this could best be determined by carrying out a VM/VE review of the project. In other words, are there alternative approaches to administrative or technical problems that would result in short- or long-term savings? In most USAID projects, the bulk of developmental assistance is dedicated to technical assistance. In many USAID



contracts, much of the technical assistance is repetitive beyond the first year of implementation. For example, if an expatriate team were training health workers, the initial instructional techniques may employ innovative methods, but once shared with counterparts, the long-term training could, in most cases, be carried out by host-country personnel. Thus, the training would be consistent, but the cost of the training force would be greatly reduced. Similar kinds of savings can be found in many current agency-funded technical transfer activities.

The mid-term review could be carried out by a staff person familiar with VM/VE techniques instead of a hastily assembled team of technicians focusing on the broad replication of technical approaches rather than the cost of supplying such services. In addition, by applying VM/VE to all projects, a common thread of efficiency could be woven throughout the mission portfolio, thus making the review more acceptable to mission management.

### **Final Reviews**

The final review of project or sector activities should focus on impact or effectiveness rather than efficiency—were changes made, and can the new approaches be institutionalized in the long term? Agency technicians should be encouraged to share and test hypotheses with their peers. To provide the impetus for these review activities, the team proposes that project managers be freed from other obligations for a four- to eight-week period, following the completion of a project or at the end of a tour, to fully consider the impact of their efforts on the change process. They would, working with their counterparts, put together oral and written presentations that could be shared with their peers, agency leadership, and members of the development community.

These findings would then be shared with others through the distribution of written materials, through available electronic communication, or, for the more thoughtful pieces, represent the focal point for technical meetings (e.g., with regional health, environmental, democracy officers), and serve as the case studies for agency training materials. This would place critical technical reviews in a very positive light, and those persons producing thought-provoking pieces would be recognized as change agents rather than critics.

## **CONCLUSION**

---

The mid-term review should be converted to an in-house exercise focused on efficiency utilizing VM/VE techniques. The final review should target effectiveness and fully exploit agency technical talent by drawing from mission and multi-regional employee expertise. Both valiative reviews should include host-country participation from both the government and from the service population. Outside technical expertise should be utilized only on an "as-needed" basis. Further, USAID valiative results should be circulated throughout the agency by any means possible including electronic media and internal meetings and conferences. The central evaluation office should oversee the exchange of information and coordinate with other developmental organizations to disseminate results.

## Appendix A

### TEAM MEMBERS

---

#### USAID Study 1: Project Evaluations

##### *Full-Time Members*

Merrill, Hank	G/EG/PS	Program Officer
Peterson, Eric	G/EG/CPE	General Engineer
Turner, Connie	M/MPI	Analyst
Vreeland, Nena	PPC/CDIE/PME	Program Analyst

##### *Part-Time Members*

Rader, Pat	ENI/PD	Program Analyst
Thompson, Herb	M/IRM	Computer Services

##### *Consultant*

Rikard, Ken	CFED
-------------	------